

North Dakota REV-E-NEWS



Pam Sharp, Director

May 2011

OFFICE OF MANAGEMENT AND BUDGET

600 EAST BOULEVARD AVE — DEPT. 110 BISMARCK, ND 58505-0400

MESSAGE FROM THE DIRECTOR

North Dakota ranks first in the Index of State Economic Momentum, a ranking compiled by Federal Funds Information for States (FFIS) in its March 2011 *State Policy Reports*. According to FFIS, the Index of State Economic Momentum "ranks states based on their most recent performance in three key measures of economic vitality: personal income growth, employment growth and population growth."

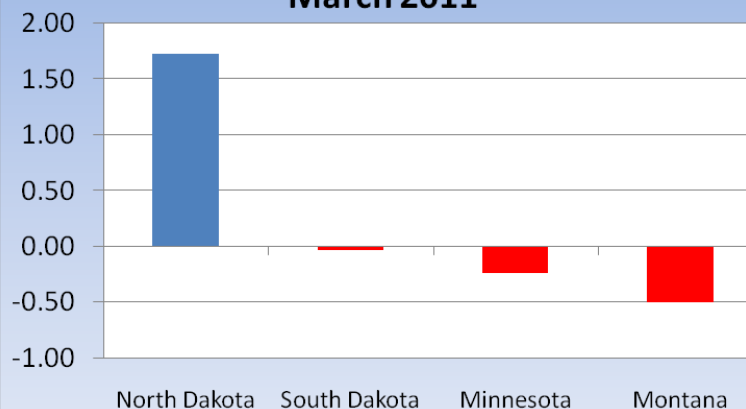
The index uses the average of the three economic measures, sets the national average at zero, then expresses each state's score as a percentage above or below the national average. Consequently, North Dakota's score of 1.72 indicates that our state exceeds the national average score by 1.72 percent. In comparison, South Dakota's index score was -.03, Minnesota's was -.24, and Montana's was -.50, indicating those states were all slightly below the national average. Whereas North Dakota ranked first, South Dakota ranked 25th, Minnesota 37th, and Montana 46th.

Looking at the economic measures individually, North Dakota's change in personal income from fourth quarter 2009 to fourth quarter 2010 was first in the nation at 5.5 percent. The national average change was 3.9 percent. The employment growth category measured the percent change in employment from March 2010 to March 2011 and North Dakota

ranked first in this category with growth of 4.2 percent compared to the national average of only 1.1 percent. In the state population change category, North Dakota ranked 7th with growth of 1.2 percent from July 2009 to July 2010. The national average population change was only .8 percent.

This first place ranking for North Dakota in the Index of State Economic Momentum comes as no surprise. It merely validates what we in the state have known for some time. As the rest of the nation struggles to recover from the national recession, our healthy, growing economy continues to move forward with a momentum most other states wish they could replicate.

**Index of State Economic Momentum
March 2011**



Source: FFIS State Policy Reports

OIL ACTIVITY



The revised February 2011 revenue forecast is based on oil prices in the range of \$67 to \$75 per barrel and production gradually increasing from 390,000 to 425,000 barrels per day through fiscal year 2013. Currently, the posted price for North Dakota sweet crude is around \$97 per barrel, far exceeding the forecasted price of \$67 per barrel. Partially rebounding from the constraints of adverse weather, March production grew by 10,000 barrels per day, but remains significantly below the forecasted level of 390,000 barrels per day. The current rig count is 173 rigs, 59 more than the number operating in the state one year ago. Price, production, and drilling activity are summarized on the following table:

	Mar 2011	Feb 2011	Jan 2011
Actual average price per barrel	\$92.15	\$78.19	\$78.59
Production (barrels/day)	359,600	349,100	343,300
Drilling permits	149	155	142
Producing wells	5,439	5,324	5,317
Rig count	171	167	163

Comments or Questions?
Contact

Pam Sharp, Director

Phone: 701-328-2680

Fax: 701-328-3230

E-mail:

psharp@nd.gov

Visit the North Dakota web site

www.nd.gov

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS Compared to the Legislative Forecast 2009-11 Biennium April 2011

Revenues and Transfers	Fiscal Month				Biennium To Date			
	May 2009 Leg. Forecast	Actual	Variance	Percent	May 2009 Leg. Forecast	Actual	Variance	Percent
Sales Tax	40,769,000	50,164,412	9,395,412	23.0%	1,021,445,000	1,131,730,528	110,285,528	10.8%
Motor Vehicle Excise Tax	4,434,000	5,705,882	1,271,882	28.7%	77,508,000	110,526,329	33,018,329	42.6%
Individual Income Tax	105,314,000	139,525,522	34,211,522	32.5%	624,536,000	670,077,144	45,541,144	7.3%
Corporate Income Tax	27,980,000	30,264,388	2,284,388	8.2%	210,291,000	200,482,310	(9,808,690)	-4.7%
Insurance Premium Tax	200,000	209,845	9,845	4.9%	57,800,000	54,602,902	(3,197,098)	-5.5%
Financial Institutions Tax	2,972,000	2,467,051	(504,949)	-17.0%	9,010,000	6,733,039	(2,276,961)	-25.3%
Oil & Gas Production Tax*					39,309,315	32,718,333	(6,590,982)	-16.8%
Oil Extraction Tax*					31,690,685	38,281,667	6,590,982	20.8%
Gaming Tax	675,825	696,533	20,708	3.1%	15,144,146	14,439,212	(704,934)	-4.7%
Lottery					5,577,500	5,100,000	(477,500)	-8.6%
Cigarette & Tobacco Tax	1,568,000	1,879,834	311,834	19.9%	41,515,000	42,234,864	719,864	1.7%
Wholesale Liquor Tax	556,000	675,902	119,902	21.6%	12,381,000	13,767,306	1,386,306	11.2%
Coal Conversion Tax	1,789,000	1,493,329	(295,671)	-16.5%	39,508,000	34,227,808	(5,280,192)	-13.4%
Mineral Leasing Fees	2,200,000	2,066,846	(133,154)	-6.1%	21,700,000	16,773,423	(4,926,577)	-22.7%
Departmental Collections	2,084,349	1,997,802	(86,547)	-4.2%	56,498,596	62,811,358	6,312,762	11.2%
Interest Income	1,678,043	605,023	(1,073,020)	-63.9%	22,703,004	29,568,623	6,865,619	30.2%
Bank of North Dakota-Transfer								
State Mill & Elevator-Transfer					2,367,918	6,260,457	3,892,539	164.4%
Oil tax trust fund-Transfer					435,000,000	435,000,000	0	0.0%
Other Transfers	161,000	161,000	0	0.0%	1,288,000	2,793,168	1,505,168	116.9%
Total Revenues and Transfers	192,381,217	237,913,369	45,532,152	23.7%	2,725,273,164	2,908,128,470	182,855,306	6.7%

* Oil and gas production and extraction tax collections totaled \$57.5 million in April. Because the \$71.0 million statutory cap for the 2009-11 biennium has been reached, no additional oil tax collections will be deposited in the general fund during the 2009-11 biennium. Through April, oil tax collections totaling \$753.4 million have been transferred to the permanent oil tax trust fund and are not reflected on this report.

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS Compared to the Previous Biennium Revenues 2009-11 Biennium April 2011

Revenues and Transfers	Fiscal Month				Biennium To Date			
	April 2009	April 2011	Variance	Percent	2007-09	2009-11	Variance	Percent
Sales Tax	40,915,493	50,164,412	9,248,919	22.6%	967,462,154	1,131,730,528	164,268,375	17.0%
Motor Vehicle Excise Tax	5,211,509	5,705,882	494,374	9.5%	118,945,665	110,526,329	(8,419,336)	-7.1%
Individual Income Tax	100,367,420	139,525,522	39,158,101	39.0%	634,500,297	670,077,144	35,576,847	5.6%
Corporate Income Tax	14,570,682	30,264,388	15,693,705	107.7%	216,564,830	200,482,310	(16,082,520)	-7.4%
Insurance Premium Tax	(219,240)	209,845	429,085	-195.7%	56,353,503	54,602,902	(1,750,601)	-3.1%
Financial Institutions Tax	3,500,679	2,467,051	(1,033,627)	-29.5%	10,478,366	6,733,039	(3,745,327)	-35.7%
Oil & Gas Production Tax*					39,309,315	32,718,333	(6,590,982)	-16.8%
Oil Extraction Tax*					31,690,685	38,281,667	6,590,982	20.8%
Gaming Tax	806,291	696,533	(109,758)	-13.6%	18,067,696	14,439,212	(3,628,484)	-20.1%
Lottery					5,300,000	5,100,000	(200,000)	-3.8%
Cigarette & Tobacco Tax	1,643,119	1,879,834	236,715	14.4%	41,677,336	42,234,864	557,527	1.3%
Wholesale Liquor Tax	559,430	675,902	116,472	20.8%	12,850,350	13,767,306	916,956	7.1%
Coal Conversion Tax	2,239,926	1,493,329	(746,597)	-33.3%	45,162,955	34,227,808	(10,935,146)	-24.2%
Mineral Leasing Fees	2,557,537	2,066,846	(490,691)	-19.2%	27,673,934	16,773,423	(10,900,511)	-39.4%
Departmental Collections	1,734,868	1,997,802	262,934	15.2%	56,886,861	62,811,358	5,924,497	10.4%
Interest Income	3,076,797	605,023	(2,471,774)	-80.3%	41,627,376	29,568,623	(12,058,753)	-29.0%
Bank of North Dakota-Transfer					30,000,000	0	(30,000,000)	-100.0%
State Mill & Elevator-Transfer						6,260,457	6,260,457	100.0%
Oil Tax Trust Fund-Transfer					115,000,000	435,000,000	320,000,000	278.3%
Other Transfers	187,250	161,000	(26,250)	-14.0%	4,531,247	2,793,168	(1,738,079)	-38.4%
Total Revenues and Transfers	177,151,762	237,913,369	60,761,607	34.3%	2,474,082,568	2,908,128,470	434,045,902	17.5%

* Oil and gas production and extraction tax collections totaled \$57.5 million in April. Because the \$71.0 million statutory cap for the 2009-11 biennium has been reached, no additional oil tax collections will be deposited in the general fund during the 2009-11 biennium. Through April, oil tax collections totaling \$753.4 million have been transferred to the permanent oil tax trust fund and are not reflected on this report.

VARIANCES

April 2011 revenues are \$237.9 million, \$45.5 million more than projected in the original legislative forecast. The February 2011 revised revenue forecast assumes that by the end of the 2009-11 biennium, actual revenues will exceed the original forecast by \$63.4 million. Through April 2011, biennium to date revenues already exceed the original forecast by \$182.9 million, or 6.7 percent. Notable variances for the month are as follows:

- **Sales tax** collections, the state's largest tax source, exceed the legislative forecast by \$9.4 million for the month, bringing the biennium to date variance to \$110.3 million, or 10.8 percent. Biennium to date collections total \$1.132 billion, which is 17.0 percent higher than during the previous biennium.
- **Motor vehicle excise tax** collections again exceed the legislative forecast -- by \$1.3 million for the month and \$33.0 million for the biennium to date. Adjusting for legislatively authorized changes in the allocation of motor vehicle excise tax revenues between

the general fund and the highway fund, 2009-11 biennium collections are \$15.2 million higher than at the same point in 2007-09.

- **Individual income tax** collections are \$34.2 million higher than estimated for the month, resulting in the biennium to date total being 7.3 percent over forecast. Reflecting strong growth rates in wages and other income, the April variance relates to both taxes due with 2010 returns and estimated payments for 2011.
- **Corporate income tax** collections exceed the forecast by \$2.3 million for the month, reducing the biennium to date variance to -\$9.8 million. The majority of corporate tax payers are multi-state or national corporations. Consequently, the national business climate plays a significant role in state corporate income tax collections. In addition, federal tax policies, such as allowances for accelerated depreciation of business assets, also impact taxable income at the state level.

OFFICE OF MANAGEMENT AND BUDGET
600 EAST BOULEVARD AVE — DEPT. 110
BISMARCK, ND 58505-0400
<http://www.nd.gov/fiscal> or www.nd.gov/omb